

Corporate Governance

1 Group Structure and Shareholders

1.1 Group structure

<p>Charles Vögele Holding Pfäffikon (Canton Schwyz) Share capital CHF 88 000 000</p>		
<p>Charles Vögele Beteiligungen AG Pfäffikon (Canton Schwyz) Share capital CHF 250 000</p>		<p>Charles Vögele Trading AG Pfäffikon (Canton Schwyz) Share capital CHF 10 000 000</p>
<p>Charles Vögele Mode AG Pfäffikon (Canton Schwyz) Share capital CHF 20 000 000</p>	<p>Charles Vögele (Netherlands) B.V. Utrecht Equity capital € 2 268 901</p>	<p>Prodress AG Pfäffikon (Canton Schwyz) Share capital CHF 100 000</p>
<p>Charles Vögele Deutschland GmbH¹⁾ Sigmaringen Equity capital € 15 340 000</p>	<p>Charles Vögele Fashion (Netherlands) B.V. Utrecht Equity capital € 1 000 000</p>	<p>Cosmos Mode AG Pfäffikon (Canton Schwyz) Share capital CHF 100 000</p>
<p>Charles Vögele (Austria) AG Kalsdorf Share capital € 1 453 457</p>	<p>Charles Vögele (Belgium) B.V.B.A. Turnhout Equity capital € 644 523</p>	<p>— Holding companies — Sales organizations — Service organizations As of February 1st, 2003</p>

¹⁾ This company was created on October 1st, 2002 by the renaming of Charles Vögele Deutschland (Süd) GmbH in Sigmaringen which was previously merged with Charles Vögele Deutschland (Nord) GmbH in Lehrte.

Charles Vögele Holding AG and Charles Vögele Beteiligungen AG are holding companies. Charles Vögele Trading AG is responsible for all Group-wide services such as purchasing, IT, communications, treasury, accounts, financial control, and risk management. Prodress AG is an advertising agency that works exclusively for the Charles Vögele Group. Cosmos Mode AG is responsible for the administration of licenses. Until October 31st, 2002, Charles Vögele Store Management AG brought together the Group activities of sales management. Due to the reorganization of the sales management function, this company has had no operational activity as of January 1st, 2003.

The Segment Information is to be found on page 14 and the list of all the consolidated companies on page 39 of the financial report.

1.2 Significant shareholders

According to the information supplied to the company under statutory stock exchange regulations, as of March 28th, 2002, Braun von Wyss & Müller AG held 6.16% of the company's capital.

According to the information available to the company, Henderson Investors Ltd. reduced its holding during the year under review to below the 5% level above which a holding has to be reported.

1.3 Cross-shareholdings

There are no cross-shareholdings with other companies.

2 Capital Structure

2.1 Share capital

The share capital of Charles Vögele Holding AG consists of 8 800 000 fully paid-up bearer shares (Valor: 693 777/ISIN-code: CH 000 693 777) with a par value of CHF 10.

As of December 31st, 2002, Charles Vögele Holding AG was holding 18 314 of its own shares (as against 15 086 as of December 31st, 2001), which were envisaged for use under the employees' option plan. Detailed information on purchases and sales and on the relevant opening and closing totals can be found on page 45 of the Financial Report.

2.2 Authorized and conditional capital in particular

The statutes of Charles Vögele Holding AG include a provision authorizing the Board of directors to increase the company capital by a maximum of CHF 2.64 million, excluding shareholders' subscription rights, by issuing 264 000 shares with a par value of CHF 10. This authorization will last for an indefinite period of time. The persons entitled to benefit from it are defined in each current share option plan. The subscription conditions and modalities are defined at the time when they are issued. (On this point, please also refer to Section 5.6, "Options", on page 59.)

2.3 Changes in capital

The summary of changes in capital during the years under review, 2000 through 2002, can be found on page 38.

2.4 Shares and certificates of participation

The share capital of Charles Vögele Holding AG consists of 8 800 000 fully paid-up bearer shares (Valor: 693 777/ISIN-Code: CH 000 693 777) with a par value of CHF 10. The share capital is fully paid up. There are no regulations making the transfer of shares subject to the company's consent. Every share entitles the holder to dividends and to vote at the Annual Shareholders' Meeting. There are no certificates of participation.

2.5 Bonus certificates of participation

No bonus certificates of participation are in existence.

2.6 Limitations on transferability and nominee registrations

There are neither limitations on transferability nor nominee registrations.

2.7 Convertible bonds and options

There are no convertible bonds. Options exist only within the ambit of the employees' option plan, which is described in Section 5.6, "Options", on page 59.

Carlo Vögele



Alfred M. Niederer



Bernd H. J. Bothe



Dr. Felix R. Ehrat



Daniel J. Sauter



William Slee



3 Board of Directors

3.1 Members of the Board of directors

Carlo Vögele

1957, Chairman, Swiss citizen
 Term of office 2002–2005, first elected in 1998;
 management training at the University of California, San Diego; businessman.
 Carlo Vögele held the full-time position of Chairman of the Board of directors from
 January 1999 through October 2001. From 1993 onwards he was a member of the
 Board of directors of the former Group holding company. Up to the end of 1997 he
 held a number of executive management positions within the company.

Alfred M. Niederer

1941, Vice-Chairman, Swiss citizen
 Term of office 2001–2004, first elected in 1999;
 graduate engineer from the Swiss National Technical Academy (comparable to an MS
 in engineering). From 1986 through 1992 he was Chairman of Bally International AG
 and from 1992 through 1995, Vice-Chairman of Bata Europe.

Bernd H. J. Bothe

1944, German citizen
 Term of office 2002–2005, first elected in 2002;
 graduate in business administration. Senior Partner in DIC Deutsche Investors'
 Capital AG, Droege & Comp. GmbH, Düsseldorf. Until the end of March 2002,
 Chairman and Chief Executive Officer Metro Cash & Carry GmbH, Düsseldorf.

Dr. Felix R. Ehrat

1957, Swiss citizen
 Term of office 2001–2004, first elected in 1997;
 Doctor of law, attorney, LL.M. Managing Partner of the Bär & Karrer law firm
 in Zurich.

Daniel J. Sauter

1957, Swiss citizen
 Term of office 2002–2003, first elected in 2002;
 Financial specialist. From 1976 through 1983, various functions in a number of banks
 including Bank Leu AG, Zurich; from 1983 through Senior Partner and CFO of
 Glencore International AG, Baar; from 1994 through 2001, CEO and Managing Director
 on the Board of directors of the publicly quoted firm of Xstrata AG in Zug. Daniel J.
 Sauter served as the temporary Chief Financial Officer of the Charles Vögele Group
 from July 1st through December 31st of the year under review.

William Slee

1941, Dutch citizen
 Term of office 2000–2003, first elected in 1998;
 BSc-Econ; Investment Banker. From 1984 through 1996, Director and member of the
 Board of directors of Schroeders plc in London.

During the year under review none of the members of the Board of directors except Daniel J. Sauter worked in any executive functions within the Group. Unless stated to the contrary, the non-executive members of the Board of directors have no significant relationships with the Group. With regard to the other business relationships and vested interests of the members of the Board of directors with the company please refer to sub-section 5.7, "Additional emoluments and remuneration", on page 59.

Changes on the Board of directors

Hansueli Loosli left the company's Board of directors during the year under review at the Annual Shareholders' Meeting on May 16th, 2002. Upon the expiry of his term of office he did not seek reelection as he intends to concentrate on managing the COOP Group. Bernd H.J. Bothe was elected to the Board of directors to succeed him. The Board of directors was enlarged and strengthened with the election of Daniel J. Sauter.

3.2 Other activities and functions

Under the Corporate Governance Directive the other activities and interests of the members of the Board of directors have to be listed only if they are significant or substantial. The company is of the opinion that the activities of the present members of the Board of directors are significant only if they relate to their work on management or supervisory boards of Swiss or listed foreign companies, or non-listed Swiss or foreign garment trading companies. The members of the Board of directors are not involved in any other substantial activities or interests.

Carlo Vögele

No other Board positions in listed companies or garment trading companies.

Alfred M. Niederer

Chairman of the Board of directors of Von Roll Holding AG; Vice-Chairman of the Board of directors of Calida Holding AG; and member of the Board of directors of Micronas AG.

Bernd H. J. Bothe

Member of the Advisory Board on personal insurance and financial services of AXA Lebensversicherungs AG in Cologne; Non-Executive Director of Synoptik Holding AG in Copenhagen; member of the Supervisory Board of Green Holding AG in Ulm.

Dr. Felix R. Ehrat

Member of the Boards of directors of Julius Baer Holding Ltd. and Bank Julius Bär & Co. AG.

Daniel J. Sauter

Chairman of the Board of directors of Alpine Select AG in Zug; member of the Boards of directors of Sulzer AG, Sika AG, and Shape Capital AG.

William Slee

Member of the Supervisory Boards of Singulus Technologies AG in Germany; of the Game Group Plc in the United Kingdom, as well as of Ecofin Water and Power Opportunities Fund in the United Kingdom.

In addition to this, some members of the Board of directors are involved in activities outside their fields of responsibility in corporations, institutions, and foundations organized under private and public law, and also have long-term executive and advisory functions on behalf of major Swiss and foreign interest groups and official functions, as well as political offices, none of which, however, are of major significance to Charles Vögele Holding AG.

3.3 Cross-involvement

There are no cross-involvements.

3.4 Elections and terms of office

The Board of directors of Charles Vögele Holding AG has to consist of at least three and no more than nine members, who have to be shareholders in the company or represent a legal entity that holds shares. Its members are elected by the Annual Shareholders' Meeting for a term of office not exceeding three years, a "year in office" being defined as the period between two Annual Shareholders' Meetings. According to this regulation, each member's first term of office is defined in such a way that the terms of office of all the members do not expire simultaneously at one Annual Shareholders' Meeting. Reelection is permitted. If a member departs before the end of his or her term of office, his or her successor takes over for the remainder of the departing member's term of office. The Board of directors designates a chairman and a secretary, neither of whom has to be a shareholder or already a member of the Board of directors.

3.5 Internal organization

The Board of directors passes resolutions on all matters affecting the company that are not governed by law or that the Statutes do not place under the responsibility of the other executive bodies in the company. The Board of directors' responsibilities include, in particular, the company's strategy, the appointment and dismissal of persons to whom the overall management of the company is entrusted (meaning the CEO in particular), the organizational structure, and the financial and accounting system. The Board of directors also bears the supervisory responsibility for ensuring that the managers conform to the law and the company's Statutes and regulations, as well as to the Board's instructions. The Board of directors is responsible for preparing the Annual Report and Accounts and for reporting to the Annual Shareholders' Meeting, and for ensuring that the shareholders' resolutions are implemented. It is authorized to prepare and execute the resolutions and to delegate the supervision of business to committees or to individual members. It can assign the management of the company's business in whole or in part to individual members or to third parties.

According to the Organizational Regulations the Board of directors meets as often as the business requires but in no case less than six times in each financial year. Eight meetings and a two-day seminar were held during the year under review. The Board Meetings normally last one full day. The CEO and the CFO are always invited to them, and other members of company management or divisional managers when required.

Chairman of the Board of Directors

The Chairman of the Board of directors is always appointed at the end of the Annual Shareholders' Meeting for a one-year term of office. The Chairman ensures good co-operation between the Board of directors, the Committees, and the CEO. Together with the CEO he monitors the execution of the Board of directors' resolutions.

Board of directors committees

The Board of directors of Charles Vögele Holding AG generally takes all its decisions collectively. Specific tasks and projects were delegated to committees for the first time in the year under review; they are required to deal with defined fields of activity and prepare recommendations, which are submitted to the full Board of directors so that the necessary resolution can be passed. The Committees meet when required, but in no case less than twice a year, and are made up as follows:

- Audit Committee
Daniel J. Sauter (Chairman), Dr. Felix R. Ehrat, Alfred M. Niederer
The Audit Committee supports the Board of directors in its supervision of the accounting and financial reporting systems, in monitoring adherence to the company's legal regulations, and in supervising the companies the Group directly or indirectly controls. It supervises the internal control structures, external auditing procedures, and also monitors adherence to statutory rules and regulations by ordering regular reports from management. The Audit Committee also supervises the content and formal correctness of external communications on all financial matters. It normally meets three to four times a year for half a day or a full day. The CEO, the CFO, as well as the Group auditors and other members of Group management are invited when required.
- Human Resources and Remuneration Committee
Alfred M. Niederer (Chairman), Carlo Vögele, Bernd H. J. Bothe
The Human Resources and Remuneration Committee, in collaboration with Group management, evaluates any new members of the top level of management and submits the relevant proposals to the Board of directors. It submits motions to the Board of directors on the total remuneration of Group management and the members of the Board of directors. For Group management it is the point of contact appointed by the Board of directors for all major human resources questions in the Charles Vögele Group. It meets up to twice a year for half a day or a full day. The CEO and the Human Resources manager are asked to attend when required.
- Strategy Committee
Bernd H. J. Bothe (Chairman), Carlo Vögele, William Slee
The Strategy Committee periodically reviews Group strategy and the implementation by Group management of the Board of directors' strategic guidelines. Working in close collaboration with Group management it submits proposals to the Board of directors on any necessary changes to Group strategy and the inclusion of major new business activities for the Group or the relinquishment of existing ones. It meets up to twice a year for half a day or a full day. The CEO is asked to attend when required.

3.6 Division of responsibilities between the Board of directors and Group management

The division of responsibilities between the Board of directors and the Group management is defined in the Organizational Regulations of Charles Vögele Holding AG. The Board of directors entrusts the CEO, who is given authority to issue directives to the other members of Group management, and the Group management with the operational management of the company and transfers to it all the management responsibilities and powers that are not expressly reserved to itself. Group management assumes responsibility for decisions on the transactions assigned to it, although certain transactions require the consent of the Board of directors. In particular, Group management shall submit the budget for such approval.

3.7 Information and control instruments for Group management

Group management submits a monthly report to the Board of directors and informs it on the current course of the business at each of its meetings. Any two members of the Board of directors and the Group management have collective signing powers.

4 Group Management

Group management is responsible for the operational management of the Charles Vögele Group. During the year under review it consisted of the following persons: the Chief Executive Officer (Daniel Reinhard), the Chief Financial Officer (Wolf-Günter Freese, January 1st, 2002–June 30th, 2002; Daniel J. Sauter, July 1st, 2002–December 31st, 2002); the Purchasing manager (Serge Brugger); and the Logistics, IT, and Organization manager (Marcus Arnoczky). With effect from January 1st, 2003, Group management was reduced to three members and the management of the Logistics, IT, and Organization Division (or Supply Chain Division, from February 1st, 2003, onwards) moved down to the second management level below the Board. In his capacity as CEO Daniel Reinhard heads Group management with authority to issue directives, and also manages the Sales and IT divisions at Group level.

4.1 Members of present Group management

Daniel Reinhard

1953, Chief Executive Officer (CEO) since December 1st, 2001, as well as Head of Sales and IT; Swiss citizen, graduate of the Business and Administration Academy; from 1998 through 2001, Chairman of the Management Board of Salamander AG, having been a member of that Board from 1994 through 1998. From 1991 through 1993, General manager of Bally in Germany and Austria and Grüterich GmbH, having been its CFO from 1986 through 1991.

Dr. Felix A. Thöni

1959, Chief Financial Officer (CFO) since January 1st, 2003, Swiss citizen, doctorate in economics from the University of St Gallen; from 1992 through 2002, CFO of the Gavazzi Group.

Serge Brugger

1952, Purchasing manager since November 11th, 2002, Swiss citizen, graduate in business economics. Member of the European Group management of C&A from 1999 through 2002.

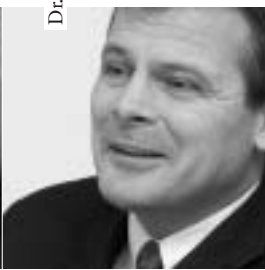
As of February 1st, 2003

Daniel Reinhard

Pfäffikon, Thursday, December 19th, 2002, 14.30 hours



Dr. Felix A. Thöni



Serge Brugger



Changes in Group management

Joachim Stenger left the position of Purchasing manager in Group management on March 4th, 2002, and has also left the company.

Wolf-Günter Freese resigned his position as CFO with effect from June 30th, 2002, and has also left the company.

Jean-Pierre Conrad was temporarily the Co-CFO together with Daniel J. Sauter from July 1st through December 31st, 2002, and was responsible for the Financial department.

Josef Amrein left Group management with effect from October 1st, 2002, and now heads the Swiss Sales Organization. Responsibility for the Sales department has been in the hands of Daniel Reinhard since October 1st, 2002.

Serge Brugger has been a new member of Group management since November 11th, 2002, and responsible for the Purchasing department.

Dr. Felix A. Thöni has been a new member of Group management and CFO since January 1st, 2003.

Marcus Arnoczky, previously the Logistics, IT, and Organization manager, left Group management with effect from January 31st, 2003, when it was reduced to three members, and has also left the company. The Supply Chain, Logistics, and Organization department has been taken over by Dr. Andreas Stockert as of December 1st, 2003, and will in future form part of the second level of management below the Board.

4.2 Other activities and interests

The members of Group management do not conduct any major additional activities outside their areas of responsibility in corporations, institutions, or foundations organized under private or public law. Neither do they have any permanent executive or advisory functions in any major Swiss or foreign companies, interest groups, or political parties.

4.3 Management contracts

There are no management contracts in existence.

5 Compensation, Shareholdings and Loans

5.1 Substance and definition procedure

for remuneration and the profit-sharing programs

Please refer to Section 3.5, “Internal Organization”, and the section on “Human Resources and Remuneration Committee” for details of the definition procedure and lines of responsibility.

5.2 Remuneration for current company officers

Fees and salaries, 2002 and 2001

in CHF	2002	2001
Board of directors' emoluments, cumulative each year	850 000 (6 people)	660 000 (5 people)
Highest fee per year on Board of directors	330 000	330 000
Salaries of Group management, cumulative each year	5 256 000 (6 people)	4 294 000 (7 people)

See also: Financial Report, page 38

Severance compensation

No agreements exist with the Board of directors or Group management of Charles Vögele Holding AG regarding severance compensation. Accordingly, no such compensation was paid during the year under review.

5.3 Compensation to former directors and officers

No fees or salaries were paid or credit notes or other benefits granted during the year under review to any former members of the Board of directors or Group management who had left the company prior to the year under review, i.e. on or before December 31st, 2001.

5.4 Allocation of shares in the year under review

During the year under review no shares were allocated neither to the members of the Board of directors as a whole, or to the Group management as a whole, nor to any persons closely associated with any of these persons.

For the IPO in June 1999 a share participation plan was prepared for the then middle and Group management. Employees who qualified were each offered a package of 4 032 shares at their par value subject to a ban on resale for the next five years, although from 2000 onwards each recipient was permitted to sell a maximum of 20% of his or her package. As of December 31st, 2001, two former members of Group management held a total of 4 830 shares.

5.5 Shares ownership by company directors and officers

in shares	31.12.2002	31.12.2001
Members of the Board of directors	261 840 (6 people)	253 795 (5 people)
Members of Group management	31 500 (3 people)	67 938 (4 people)

5.6 Options

in options	Allocation in 2002	2001*
Share options, Board of directors	30 000 (6 people)	7 999 (5 people)
Share options, Group management	32 000 (3 people)	4 667 (4 people)

* Options were based on the 1999 Option Plan. The option price at that time was CHF 281.25 and the corresponding tax value per option was CHF 38.70. This is the only Option Plan drawn up. The options became valueless and forfeit on June 7th, 2002.

The Option Plan, which was redefined in the year under review for members of the Board of directors, Group management, and the members of the second level of management below the Board, is based on the company's own shares and conditional capital. The allocation of options is proposed by the Human Resources and Remuneration Committee and is approved by the Board of directors. Each option carries the right to subscribe to one share. The option price is calculated as the average share price at the time of allocation, on November 18th, 2002, and amounts to CHF 29.50 per option. The term to maturity is five years and sale is prohibited for three years. The tax value is CHF 6.55 per option. (See also: Financial Report, page 34.)

Insidertrading regulations

The "Vögele-Group regulations on the problem of insidertrading" apply to all members of the Board of directors, Group management, the second level of management as well as any other employees whose work gives them access to price-sensitive information. These regulations are more comprehensive than the legal standards currently in force and also form part of the contracts of employment of the aforementioned persons. They are constantly updated to keep them in line with the latest requirements.

5.7 Additional fees and remuneration

- Dr. Felix R. Ehrat, a member of the Board of directors, is also a partner in the law firm of Bär & Karrer, which during the 2002 financial year provided legal services to various Group companies for a total fee of CHF 638 750. These services have already been invoiced.
- Mr. Bernd H. J. Bothe received a fee of CHF 60 000 for his consultancy work on the Group's behalf.

5.8 Loans granted to directors and officers

No loans to directors or officers of the company are outstanding.

5.9 Highest total remuneration

The member of the Board of directors with the highest total remuneration received director's emoluments of CHF 330 000, and 5 000 options with an option price of CHF 29.50 each and a tax value of CHF 6.55 each. (Please refer to Section 5.6, "Options", for the modalities under which options can be exercised.)

6 Shareholders' Participation Rights

6.1 Voting rights restrictions and representations

The company's Statutes contain no limitations on voting rights and do not conflict with the law with regard to proxy voting.

6.2 Statutory quorums

The Annual Shareholders' Meeting passes resolutions and conducts votes, unless mandatory statutory regulations or the provisions of the Statutes dictate otherwise, by an absolute majority of the shareholders' votes legally represented and validly cast, excluding spoilt votes and without regard to the number of shareholders present or of the votes they represent. Each share entitles the holder to one vote at the Annual Shareholders' Meeting.

6.3 Calling the Annual Shareholders' Meeting

The Annual Shareholders' Meeting takes place no later than six months after the end of each company financial year. It is called by the Board of directors. The shareholders are called to the meeting by an invitation in the daily and financial media and are requested to submit any items they may wish to propose for the agenda.

6.4 Agenda items

Shareholders who between them represent shares with a total par value of at least CHF 1 million can make a request no later than 45 days prior to the day of the meeting for items to be added to the agenda. The request has to be made in writing and state the motion that is to be put to the vote. One or more shareholders who between them represent at least 10% of the share capital can call an Extraordinary Shareholders' Meeting between annual meetings.

6.5. Entries in the share register

The share capital of Charles Vögele Holding AG consists exclusively of bearer shares, and accordingly no share register is maintained.

7 Changes of Control and Defense Measures

There are no provisions, either in the Statutes or in contracts of employment, or any other agreements or plans concerning any change of control or defense mechanisms to prevent one.

8 Auditors

8.1 Duration of mandate and term of office of the managing auditors

The audit company for the Charles Vögele Group and the Charles Vögele Holding AG is Arthur Andersen AG. As a result of the abandonment of business of Arthur Andersen AG during the period under review, the audit mandate is being discharged by Ernst & Young as subcontractors; the auditor's certificates, however, are being issued by Arthur Andersen. The audit mandate will be reawarded at the 2003 Annual Shareholders' Meeting. Since 1997 the managing auditor for the Charles Vögele Group and Charles Vögele Holding AG has been Eric G. Ohlund, formerly a partner at Arthur Andersen AG. As Eric G. Ohlund has been a partner at Ernst & Young since July 1st, 2002 and is familiar with the mandate it will be possible to guarantee the technical and personal continuity of the audit for the company. The Board of directors is convinced that this situation will ensure a flawless execution of the audit mandate in terms of quality and independence for the year under review.

8.2 Audit fee

The Auditors will charge a total fee of CHF 620 000 for the audit mandate legally requested. The audit contract is limited to one year and the Annual Shareholders' Meeting has to approve the appointment of the auditors.

8.3 Additional fees

The Auditors work for the Charles Vögele Group solely in the field of auditing. It has not been given any other consultancy mandates. Consequently no additional consulting fees have been paid during the year under review.

8.4 Supervisory and control instruments for the auditors

The work of the external auditors is assessed and examined by the Audit Committee. Meetings are called and other means employed when required.

9 Information Policy

The Charles Vögele Group pursues a transparent and open communications policy and is under obligation to adhere to the guidelines of ad-hoc publicity. Shareholders are regularly and continually kept informed by the following means:

- Annual Report and Accounts in German and English: these are published in accordance with statutory provisions no later than 20 days prior to the Annual Shareholders' Meeting, which is held at the company's registered offices.
- Half-Year Report and Accounts in German and English: these are usually published in August each year.
- Annual Report media and analysts' conference: this accompanies the presentation of the annual results, usually in March, with the conference on the interim report in August.
- Ad-hoc media bulletins when necessary.
- The media bulletins are published on the Internet at www.voegele-mode.com under the heading of "Media Lounge".

Detailed information on the company is always available to shareholders and other people interested at the website www.voegele-mode.com.